

REFERENCE TITLE: tax refunds; taxpayer identity

State of Arizona  
Senate  
Forty-eighth Legislature  
First Regular Session  
2007

## **SB 1287**

Introduced by  
Senators McCune Davis, Aguirre, Hale: Aboud, Arzberger, Burton Cahill,  
Garcia, Harper, Miranda, Rios, Soltero; Representative Ableser

### AN ACT

AMENDING SECTION 42-1118, ARIZONA REVISED STATUTES; RELATING TO TAXPAYER REFUNDS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2       Section 1. Section 42-1118, Arizona Revised Statutes, is amended to  
3 read:

4                  42-1118. Refunds, credits, offsets and abatements

5       A. If the department determines that any amount of tax, penalty or  
6 interest has been paid in excess of the amount actually due, the department  
7 shall credit the excess amount against any tax administered pursuant to this  
8 article, including any penalty or interest owed by the taxpayer. If it is  
9 determined that the amount cannot be credited against a tax or installment of  
10 taxes due from the taxpayer, the department may:

11              1. Refund the entire amount of tax, interest and penalty, in a lump  
12 sum or in not more than five annual installments, to the taxpayer from whom  
13 it was collected.

14              2. Issue to the taxpayer a credit voucher for the entire amount of  
15 tax, interest and penalty collected, to be carried forward and applied  
16 against future tax liabilities until exhausted.

17              3. Refund part, and issue a credit voucher for the balance, of the  
18 tax, interest and penalties as provided in paragraphs 1 and 2 of this  
19 subsection.

20       B. If the total amount withheld from income under section 43-401  
21 exceeds the amount of the tax on the employee's entire taxable income as  
22 computed under title 43, the department shall refund the amount of the excess  
23 deducted without requiring a filing of a refund claim as provided in this  
24 section. The failure of the department to make the refund does not limit the  
25 right of the taxpayer to file a claim for a refund pursuant to this section  
26 if the claim is not barred under section 42-1106. The department shall not  
27 refund amounts less than one dollar unless specifically requested by the  
28 taxpayer at the time the return or claim for refund is filed.

29       C. Any overpayment that may result from withholdings or estimates  
30 pursuant to section 43-401, 43-581 or 43-582 shall not be credited or  
31 refunded unless an Arizona income tax return has been filed for the tax year  
32 for which the withholdings or estimates were made.

33       D. The department shall give a vendor who has a duty to collect use  
34 tax pursuant to chapter 5, article 4 of this title and who has not collected  
35 that tax full credit or offset for any use tax, interest and penalty paid to  
36 the department by the purchaser when issuing a determination of a deficiency  
37 pursuant to section 42-1108. This credit or offset shall be computed from  
38 the date of the use tax payment by the purchaser. If the purchaser has been  
39 audited by the department for use tax for the period of the purchase, the  
40 purchaser is considered to have paid the use tax to the department. For  
41 other purchases, the vendor may submit an affirmation by a purchaser on a  
42 form prescribed by the department that use tax was paid on the purchase. A  
43 fully completed certificate, taken in good faith by the vendor, constitutes  
44 proof that the vendor is entitled to this credit or offset. The department  
45 may require a purchaser who has submitted the certificate to establish the

1 accuracy and completeness of the information contained in the certificate. If  
2 the purchaser cannot establish the accuracy and completeness of the  
3 information, the purchaser is liable for a penalty equal to the amount of tax  
4 and interest that would have been paid by the seller and for the additional  
5 penalties pursuant to section 42-1125. Payment of the penalty relieves the  
6 purchaser of any responsibility for paying the use tax. The department may  
7 require this proof and may assess the purchaser within the later of the  
8 period of limitations set forth in section 42-1104 or one year from the date  
9 the notice of proposed deficiency is issued to the vendor if the purchaser  
10 does not establish the accuracy of the information contained in the  
11 certificate.

12 E. Each claim for refund shall be filed with the department in writing  
13 and shall identify the claimant by name, address and tax identification  
14 number. Each claim shall provide the amount of refund requested, the  
15 specific tax period involved and the specific grounds on which the claim is  
16 founded. Refunds are subject to setoff for debts pursuant to section  
17 42-1122.

18 F. A motor vehicle manufacturer that repurchases a vehicle pursuant to  
19 section 44-1263 or for reasons of consumer satisfaction may apply for a  
20 refund of the taxes paid under chapter 5 of this title if that manufacturer  
21 has refunded the amount of tax to the consumer. A refund is allowed under  
22 this subsection only if the manufacturer provides satisfactory proof to the  
23 department that tax amounts attributed to the sale of the vehicle were  
24 collected from the consumer and that the manufacturer refunded an amount of  
25 tax to the consumer. Any refund provided under this subsection is in lieu of  
26 any refund on the vehicle that the dealer may otherwise be entitled to  
27 receive. A manufacturer must apply for a refund under this subsection within  
28 four years after repurchasing the vehicle. For the purposes of this  
29 subsection:

30 1. "Consumer" has the same meaning prescribed in section 44-1261.  
31 2. "Motor vehicle manufacturer" means a corporation engaged in the  
32 business of producing passenger cars, trucks and multipurpose PASSENGER  
33 vehicles as described in 49 Code of Federal Regulations section 571.3.

34 3. "Satisfactory proof" includes copies of checks and a purchase or  
35 lease agreement that lists the vehicle identification number and that  
36 itemizes the amount that was collected as tax from the consumer.

37 G. THE DEPARTMENT SHALL NOT IMPRINT THE FULL SOCIAL SECURITY NUMBER OR  
38 OTHER TAXPAYER IDENTIFIER USED PURSUANT TO SECTION 42-1105 ON ANY TAXPAYER  
39 REFUND CHECK, VOUCHER OR OTHER CREDIT DOCUMENTATION ISSUED TO THE TAXPAYER  
40 UNDER THIS SECTION.

41 G. H. If any amount has been erroneously determined to be due from  
42 any person but not yet collected, the department shall cancel the amount or  
43 amounts on its records.

1           **H.** I. If, with or after the filing of a protest or an appeal with the  
2 department, the state board of tax appeals or the court, a taxpayer pays the  
3 tax protested or appealed before the department, board or court acts upon the  
4 protest or the appeal, such body shall treat the protest or the appeal as a  
5 claim for refund or an appeal from the denial of a claim for refund filed  
6 under this section.